

COMMITTEE ON GOVERNMENT REFORM

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NEWS RELEASE

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Postal Reform Bill Moves Closer to House Vote

Davis, McHugh Praise Committee Action on Landmark Legislation

WASHINGTON, D.C. – The U.S. House of Representatives moved a step closer to enacting postal reform legislation this year, as H.R. 22, the Postal Accountability and Enhancement Act, was passed unanimously out of the House Government Reform Committee today. The bill, introduced by Rep. John M. McHugh (R-NY) and Committee Chairman Tom Davis (R-VA), will modernize the U.S. Postal Service for the first time in more than 35 years and provide a structure to help it achieve future solvency.

“We have worked hard to produce a bill that delivers for the Postal Service – and for the millions of Americans who rely on the availability of universal mail service. This reform is vital both to the American economy and to the connectivity of the American people,” said McHugh. “In the 10 years that I have been working in Congress to enact postal reform, we have never had a more workable, effective piece of reform legislation on the table. Now that the Committee has put its stamp of approval on this great product, it is my hope that the bill will move quickly to the House floor for a vote.”

“Postal reform is not a luxury we cannot afford – it is a necessity we can no longer avoid,” said Davis. “The laws that govern our Postal Service are outdated and unsuited for today’s competitive environment. The last time Congress succeeded in tackling comprehensive postal reform was 1970; long before the Internet or competitors like FedEx. This bill represents our best chance at solving the structural, legal and financial constraints that have conspired to bring the Postal Service to the brink of catastrophe. We simply cannot fail to act.”

Since the bill’s introduction in January, Davis and McHugh have led a bipartisan effort to bring resolution to concerns raised by the Administration, Senate, and other key stakeholders. The changes approved in H.R. 22 today reflect this input, while preserving the major actions of the bill. Several of the key provisions added in a Manager’s Amendment to further refine the legislation include:

- **SEC-like Reporting** – requiring the Postal Service to file with the Postal Rate Commission (PRC) the same public financial statements and reports required of private companies by the Securities and Exchange Commission.
- **Banking, Borrowing, and Investing** – limiting the Postal Service’s Competitive Products Fund (which is created under the bill) to borrowing, banking, and investing from the Department of Treasury rather than from the private sector.
- **Salary Cap Flexibility** – ensuring a more efficient process for establishing the pre-approval required under the existing language regarding the Postal Service’s authority to offer bonuses to its employees that is consistent with similar performance incentive programs in other sectors, as well as authorize the Postal Service Board of Governors to compensate no more than a dozen senior executives at higher levels of pay than permitted under current law.
- **Worksharing** – conforming the House bill to the Senate bill, which eliminates the House bill’s five-year limit on new worksharing discounts that exceed the costs avoided by the Postal Service due to mailer preparation and transportation.

“Without action by both the House and Senate, we will see the Postal Service continue in what’s been termed a ‘death spiral,’ with raising rates its only option for fiscal survival,” McHugh added. “This bill provides tools to enable the postal service to be a viable, competitive participant in the often-changing communications marketplace – and also significantly reduce the amount by which rates need to be raised.”

The major provisions of the Postal Accountability and Enhancement Act remain:

- **Modern Rate Regulation** – shifting the basis of the Postal Rate Commission from a costly, complex scheme of rate cases to a modern system designed to ensure that rate increases generally do not exceed the annual change in the Consumer Price Index. This applies only to market-dominant products (letters, periodicals, advertising mail) because the Postal Service is provided with different pricing freedom for its competitive products (Express Mail, Priority Mail, etc.).
- **Combining Market Disciplines with Regulation** – combining market mechanisms with Commission regulation to govern the rates of competitive products. The Postal Service would be given additional pricing freedom but would lose favored legal treatment for such products.
- **Limitations on Postal Monopoly and Nonpostal Products** – requiring the Postal Service to only offer postal services and for the first time defining exactly what constitutes “postal services.” The bill also revises the authority of the Postal Service to regulate competitors.
- **Reform of International Mail Regulation** – clarifying the authority of the State Department to set international policy and applying customs laws equally to postal and private shipments.
- **Strengthening of the Commission** – giving the PRC “teeth” by granting it subpoena power and a broader scope for regulation and oversight. The PRC would be renamed the “Postal Regulatory Commission.”
- **Establish a Basis for Future Reforms** – mandating several studies, including a comprehensive assessment of the scope and standards for universal services.

- **Miscellaneous Reforms** – including returning the responsibility for the military service cost of Postal retirees to the Treasury Department, while also requiring the Postal Service to significantly fund its enormous liability for retiree health benefits.

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